

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

A-833

DATE OF INTRODUCTION:

January 8, 2002

SPONSOR:

Assemblyman Conners
Assemblywoman Pou

DATE OF RECOMMENDATION:

February 26, 2002

IDENTICAL BILL:

COMMITTEE:

Assembly Appropriations Committee

DESCRIPTION:

The Bill provides an exemption from sales and use tax on the purchase of certain children's car seats.

ANALYSIS:

This Bill is proposed to provide a tax exemption for parents who must purchase child passenger restraint systems for installation into passenger motor vehicles, in order to comply with federal motor vehicle safety standards applicable at the time the systems are sold.

The presumed theory behind the proposed bill is that by relieving sales tax on the purchase of safety restraint systems, parents will more likely comply with new child passenger laws. Effective December 1, 2001, the new law requires children up to age 8 or 80 pounds to ride in safety or booster seats. In light of these restrictions, families may have to purchase two or more car seats to accommodate a child as he/she grows. This may prove more burdensome to families whose financial situation puts limitations on the type of car seats that they are able to purchase. It is unreasonable to think that relief from sales tax will have any impact on their ability to purchase safety seats, or on their choice of models. Equity problems arise as families who can more easily afford to purchase expensive child safety restraint systems would benefit from a tax exemption, while families who may not be able to afford to purchase even the least expensive car seat models would not. Lower-income families will not be more encouraged or relieved of a financial burden if sales tax is not imposed on the purchase of child passenger safety seats.

The bill as presented has terrible public policy implications suggesting that parents need a financial incentive to engage in measures that ensure the safety of their children. A public mandate should not require enticement to ensure compliance. Parents should automatically want to keep their children safe and should not have to be bribed to do so. Additionally, a sales tax exemption is not going to guarantee that car seats will be more accessible and affordable for low-income families. There are all ready community programs in place that either give away child safety seats or provide them at a minimum cost based on certain income requirements. A better policy would be to collect the taxes on the safety seats and redirect that revenue to low-income areas within the State.

There are no strong tax policy reasons to support this proposed exemption. Enacting special exemptions for purchases of socially desirable merchandise tends to lead to an increased demand for similar exemptions for other useful, necessary, or politically favored purchases. Such piecemeal small exemptions alter the broad-based nature of the sales and use tax, and reduce its credibility as a fairly administered and easy to understand tax. A broad-based tax that is imposed with limited exemptions on a wide range of transactions is easy to understand and administer and is generally perceived by consumers as economically neutral and "fair". When the tax is imposed at a fairly low rate, the burden, per transaction, on the individual taxpayer, is relatively small, but the cumulative revenue that is generated can be significant. The individual taxpayer would save a fairly inconsequential amount with an exemption on the purchase of motor vehicle child restraint devices. However, the cumulative loss of revenue to the State could be substantial, leaving the State to find other means of generating the funds lost as a result of such an exemption.

RECOMMENDATION: The Commission does not recommend enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 8

COMMISSION MEMBERS ABSTAINING: 0

(cb)